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SIPDIS

DEPT FOR

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SUBJECT: 2003 BFIF CLOSE OUT

REF: A. SECSTATE 346405 B. MAPUTO 02248 C. MAPUTO 01902

1. SUMMARY: Post wishes to thank the Department for providing 2003 BFIF funding in the amount of \$7,000. Post was able to travel to several provinces, visiting with various U.S. businesses, commercial associations, and local entrepreneurs to support U.S. commercial activities and encourage further U.S. investment in Mozambique. We believe our programming has been successful and would like to continue to have such extensive commercial outreach and attract greater U.S. investment in-country in 2004. END SUMMARY.

COMMERCIAL VISITS TO THE PROVINCES

2. Econ/Pol officer and Commercial FSN visited the provinces of Sofala and Manica, starting in Mozambique's second largest city of Beira. Beira is a significant port town for Mozambique and the Beira Development Corridor, running east-west from Harare to Beira, allows for a large amount of trade to transit through Mozambique from Zimbabwe and Malawi. Facilitating many of Mozambique's business ventures outside of the capital city of Maputo, Beira is an important national commercial center. On a visit to Mobeira, a flour-milling factory privatized in 1996 and owned by the U.S. corporation Seaboard, Director Antonio Lopes described the stiff competition currently challenging the firm's operations. Mobeira imports wheat from the U.S. and Europe and exports primarily to Malawi and other regional markets. Although the market for flour has doubled in the last seven years, bringing further profits, Mobeira has faced numerous difficulties with the GRM in receiving its entitled VAT repayment. Non-payment of VAT reimbursement by the GRM is a sensitive and critical issue facing several firms and donors working in-country that are exempted from the tax. Post has been working with the Ministry of Planning and Finance to see that the VAT is repaid to U.S. businesses and donors. In November and December of 2003, Mobeira did receive VAT reimbursements from the GRM and follow-on payments seem likely. Pushing such financial issues with the GRM to help U.S. commercial interests in-country will ensure that U.S. businesses stay in operation and can successfully compete against other producers.

3. Also in Beira, Econ/Poloff and Commercial FSN visited the Sofala Commercial and Industrial Association (ACIS), working to represent the interests of 27 firms operating in the province of Sofala. U.S. firms such as Coca-Cola and Mobeira participate as members. The only garment and textile factory in Mozambique currently exporting under AGOA, Belita (Mauritian-owned), is also represented by ACIS. ACIS is a very active and dynamic organization in Sofala, disseminating critical commercial and labor news to members and non-members, providing advice to prospective investors, and establishing task forces to work with the GRM on commercial issues. The organization is valuable in its analysis and dissemination of information on current and considered GRM commercial and labor law. By maintaining regular contact with ACIS, Post is kept up-to-date on issues affecting the business community in the provinces. Post looks to pursue commercial programs with ACIS, such as investment-related seminars that may attract further U.S. investment in the central provinces or inform businesses how to take advantage of incentive programs such as AGOA.

4. The same trip featured a visit to Chimoio and Manica, cities located in the Manica Province. Due to its moderate climate, Manica is a rich province for agriculture and the American NGO, Technoserve, is very active in providing training programs to local producers and finding export markets for Mozambican fruit and vegetables. On this visit, Econ/Poloff and Commercial FSN met with Technoserve representatives to discuss the local agricultural sector and markets for export. Also in Chimoio, Econ/Poloff and Commercial FSN had the opportunity to discuss agricultural export issues with Joao Ferrao, manager of a new agricultural consulting firm and former director of the Chimoio Agricultural Institute (the oldest and most prestigious agricultural institution in Mozambique). Mr. Ferrao is keen to AGOA issues and participated in Post's 2002 AGOA roadshows (reftel C), well-attended in the Manica area. Each year, Mr. Ferrao coordinates a Chimoio Agricultural Trade Fair, showcasing agricultural equipment and supplies for a variety of sources (primarily South African equipment). Post

discussed the plausibility of having U.S. firms showcase U.S. products and equipment at the fair, and Mr. Ferrao was very accepting of the idea. Although Manica is not the most convenient location for U.S. sellers, Post may be able to send product brochures and information to participate in this event.

15. The trip to Manica concluded with a visit to the Coca-Cola bottling factory, a Zimbabwean-owned flower plantation, Vilmar, (the first in Mozambique), and tobacco and paprika farms owned and managed by Zimbabwean farmers. Coca-Cola is a very successful company in Mozambique and continues to raise product output and revenue. They have instituted a new system of management nationally, organizing into mini-business revenue teams, responsible for activities such as production, marketing, and distribution. This new method of management has also been successful for Coca-Cola Mozambique, raising efficiency and contributing to employee morale through individual and group incentives/awards. There is strong agreement that the flower sector in Mozambique could take off soon in the Manica province. Vilmar has recorded great success in growing and selling roses. Most roses are driven to Harare and flown to the European market for sale. More flower plantations are springing up in the area, and the capacity of Mozambique to produce this product will lead to more investors. Econ/Poloff and Commercial FSN spoke with two Zimbabwean farmers about current land and loan issues they face with the GRM. Many Zimbabweans in the area are looking for a way to secure loans to increase tobacco planting and production. They seek help from U.S. financial institutions to tackle these issues.

16. Visits by Econ/poloff and Commercial FSN to several cities in the Northern provinces of Nampula and Niassa provided an opportunity to promote AGOA, describe post's commercial programs in Mozambique, develop key contacts in the local business community, and learn about opportunities for US companies in these provinces. In Niassa, Mozambique's least developed and most isolated province, Econ/poloff and Commercial FSN held a multi-sectoral business roundtable with local private sector leaders on Niassa's investment climate and opportunities for investment. A number of potential opportunities were identified in areas ranging from tourism to agriculture. A meeting with Nakosso, the Niassa Business Centre, a private organization that promotes and facilitates foreign investment in the province, has resulted in a number of new contacts and follow-up activities. Through this initial contact with Nakosso, post is now working with the local partner of a US company on a project to export macadamia nuts to the United States. The US partners plan to visit Mozambique in March 2004. Initial discussions have also been held with Nakosso on a digital video conference to be organized by post on promoting exports of Mozambican handicrafts under AGOA. A visit to the port of Nacala in Nampula province focused on export opportunities related to the Nacala Corridor, which includes an integrated rail and port system linking Malawi, Zambia and Mozambique. This project is being undertaken by a US-led consortium and is funded by OPIC. In the city of Nampula, meetings were held with Technoserve and local producers of paprika and cashews. Mozambique's once thriving cashew industry has only recently begun to recover from years of decline following the 1995 liberalization of the sector. Principal export markets include the Netherlands, South Africa and the United States. Paprika producers were particularly interested in learning about AGOA. As a result of one meeting, post has been working with a paprika producer who is interested in exporting to the US market.

Other BFIF-related activities

17. Post has continuous communication with FCS Johannesburg and FCS Durban. Most recently, FCS has worked with post on three issues: delivering Gold Key Services, planning U.S. business participation in a March 2004 Water Africa Exhibition, and an investigation into a U.S. business delivering U.S. exports to Mozambican clients. In September 2004, Post actively communicated with FCS Durban to provide Gold Key Service to a U.S. company located in Houston, Texas, A-1 Rags. Post and FCS communicated with the Houston Export Assistance Center to provide the client with contacts of second-hand clothing buyers in Maputo and Nampula. In March 2004, Mozambique will host the Water Africa 2004 Sub-Sahara International Exhibition. Post is working with FCS Durban and USDOC Washington to bring U.S. participation to the event through the production and distribution of informational brochures. The Fair will be held at FACIM in Maputo (a trade show location). Post's goal, along with FCS, is to achieve participation of over thirty U.S. firms working in water treatment, irrigation, ground and surface water development, urban drainage, and consulting services by soliciting product and service information and distributing it at this year's Water trade show. This will open the Mozambican and South African market to become familiar with and enlist the use of U.S. products in this sector. Thirdly, Post handled a

commercial inquiry made by a Mozambican consulting firm, Kianda by contacting FCS Johannesburg. Kianda is working with a U.S. firm called "Caravans International", but there has been some confusion as to product payment, delivery of products, and communication. FCS Johannesburg assisted Post by contacting the Export Assistance Center in Minneapolis, that in turn, did much research related to the U.S. firm and its international business operations. Post was able to provide Kianda with information valuable to its business operations and provided options for going forward in working with Caravans International.

18. Kodak and the Bank of New York are examples of two U.S. firms who visited Post with commercial inquiries in the fall of 2003. Post, through use of it's new Commercial Library (2003), was able to provide the firms with important country information on economics, finance, investment, and politics. Post also provides all clients with commercial inquiries a copy of the 2003 Country Commercial Guide. Econ/poloffs attended KPMG's Annual "Top 100 Businesses in Mozambique" for 2003 and noted that six U.S. businesses were present on the list: Coca-Cola, Mobil, Mobeira, Avis-Rent-a-Car, Colgate Palmolive, and KPMG Mozambique. This annual study presents the top revenue-earners in Mozambique, as identified by survey. Econ/Poloff also attended the second annual Commonwealth Mozambique Investment Conference. The conference featured speakers from business and the GRM on aquaculture, finance, tourism, transportation, agriculture, and information technology. Very few U.S. investors attended the conference, and Post would like to find new ways to get U.S. investors involved. Similarly, at this year's annual Maputo trade fair, FACIM, there was not a U.S. business Pavilion and U.S. participation will be more highly encouraged in 2004.

EXPENDITURES

19. Post was allocated \$7,000 and financial expenditures totaled \$8,064.71. The entire budge was allocated to travel and per diem. The internal cost of travel in Mozambique is very high with plane tickets to the North of the country costing the equivalent of full fare rates to Europe from South Africa. Post made a concerted effort to remain fiscally prudent and double-up programming where possible.

COMMENT

110. The BFIF funding for 2003 was very successful. Post was able to provide considerable commercial outreach to U.S. business operating in-country. Additionally, Post was able to expand its knowledge of the local business community and identify further areas for U.S. investment and export sales. Valuable commercial and economic information was provided to U.S. firms looking to enter the Mozambican market and Mozambican firms looking to work with U.S. businesses in the U.S. Several informative conferences were attended and business contacts were expanded. Mozambique is a difficult and remote market for U.S. businesses to penetrate, but with continued expanded outreach and the ability to advertise U.S. goods and incentive programs like AGOA, success is at hand. Post appreciates this opportunity and looks forward to the possibility of working with BFIF again in 2004.

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